

1 **QUESTION:**

2 (page 11, lines 26 – 31) How have the load changes arising from IC reductions or closures  
3 impacted the cost of supply to the Island Interconnected Customer classes? Please show:

4 The reductions in cost of supply relative to current rates for each customer class; and

5 The reduction in cost of supply relative to RSP balances owing to the load variation component.

6 **RESPONSE:**

7 The reduced cost of supply to NLH is effectively equal to the cost of fuel at Holyrood. At GRA  
8 approved costs of fuel, this equals approximately 8.7 cents/kW.h. The current rates to IC are  
9 lower than this “marginal cost” at 3.676 cents/kW.h. RSP balances are based on the net of these  
10 two values.

11 Benefits to other Island Interconnected customers are not intended to arise from load variations  
12 of other classes – this was a basic premise of the 2003 RSP approach (which was premised on  
13 the “marginal cost” changes driven by each customer class not flowing through to other customer  
14 classes). However, in the present high fuel environment, where each barrel of oil drives  
15 additional costs to the fuel variation provision of the RSP, the IC load changes likely caused  
16 savings to all Island Interconnected classes, as noted in footnote 16, page 11 of Mr. P. Bowman’s  
17 evidence.